

Message Text

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PAGE 01 TEGUCI 04521 041844Z

71

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 SCEM-02 DODE-00

PM-07 H-03 L-03 NSC-10 PA-04 PRS-01 SS-20 USIA-15

ACDA-19 IO-14 DRC-01 /204 W

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R 041745Z DEC 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 5802

INFO AMEMBASSY CARACAS

AMEXBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

CONFIDENTIAL TEGUCIGALPA 4521

E.O. 11652: GDS

TAGS: ENRG, HO

SUBJECT: PETROLEUM DEVELOPMENTS IN HONDURAS

REF: A. TEGUCIGALPA 4394 B. STATE 234419 C. TEGUCIGALPA 4496

D. TEGUCIGALPA 4494 E. STATE 234975

1. STATE TELEGRAM 23419 RECEIVED 12/3 AND EMBTELS OF
11/30 ONLY PARTIAL RESPONSE.

2. TEXACO HAS CONFIRMED 35 PERCENT CUT OF REFINERY THROUGH-
PUT. MCDONALD INDICATED TO GOH THIS CUT NOT RELATED TO PRICE
ISSUE, BUT HE HAS NOT STATED THIS PUBLICLY. THEREFORE,
RESOLUTION OF PRICE ISSUE PRESUMABLY WILL NOT AFFECT 35
PERCCENT CUT AS PRESENTLY CONSTITUTED.

3. REFINERY CURRENTLY EXPORTS SOME QUANTITIES RESIDUAL FUEL
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PAGE 02 TEGUCI 04521 041844Z

OIL AND LIQUIFIED PETROLEUM GAS (LPG). TEXACO WILL PROVIDE

THESE PRODUCTS WITH PREFERENCE TO LOCAL CONSUMERS OVER EXPORT, I.E., SUBSTITUTION IN INTERNAL CONSUMPTION MAY BE POSSIBLE TO VERY MINOR EXTENT BY USING RESIDUAL IN PLACE OF NUMBER 2 IN POWER PLANTS, OR LPG IN PLACE OF NUMBER 2 IN SOME USES SUCH AS WOOD DRYING KILNS. ACCORDING TO DISTRIBUTORS FLEXIBILITY TO MAKE SUCH CHANGES IN MINIMAL AND FOR PRACTICAL PURPOSES 35 PERCENT CUT IS APPLICABLE TO ALL USERS EXCEPTING LPG AND RESIDUAL.

4. PRESSURES UPON TEXACO AS INDICATED IN STATE 234975 AND ANTICIPATED IN TEGUCIGALPA 4394 CAN BE EXPECTED TO WORSEN GREATLY AS TEXACO MAINTAINS WHAT MUST BE CONSIDERED EXCESSIVE CUT IN PRODUCT SUPPLY TO THIS ENDANGERED ECONOMY. MINOR RELIEF IN FORM OF PRODUCT IMPORTS BY OTHER DISTRIBUTORS (CHEVRON, SHELL, ESSO) COULD BE USEFUL IN REGIONAL SHORTAGES SUCH AS IN SOUTH HONDURAS WHERE PRODUCT FROM NICARAGUA COULD AMELIORATE PROBLEM AND IN NORTH COAST AND BAY ISLANDS WHERE LACK OF FUEL CRITICAL. HOWEVER, LACK OF UNLOADING AND STORAGE FACILITIES TO HANDLE PETROLEUM PRODUCTS LIMIT POSSIBILITIES OF SHORT TERM RESPONSIVENESS.

5. AS SAMPLE OF EFFECTS, REDUCTION OF FUEL AVAILABILITY TO DATT IS TO 140 GALLONS FOR MONTH OF DEC. RATHER THAN 700 GALLONS PREVIOUSLY REPORTED. ONE HUNDRED FORTY GALLONS SUFFICIENT FOR 1 HOUR 24 MINUTES FLIGHT TIME. ALTHOUGH DATT ARRANGING ALTERNATIVE SOURCES, THIS TYPE OF CUT INDICATIVE OF PRESSURES BEING PLACED UPON ALL HONDURAN FUEL USERS MOST OF WHOM LACK ALTERNATIVES.

6. PRESSURES UPON GOH COULD LEAD TO DECISIONS WITH MAJOR CONSEQUENCES FOR U.S. PETROLEUM INVESTMENT.

7. MCDONALD STATES REDUCTION IN THROUGHPUT IS A DECISION OUT OF HIS HANDS AND CRUDE AVAILABILITY AND RATIONING AS MATTERS UNDER CONTROL OF TEXACO OFFICIALS IN CORAL GABLES AND NEW YORK. EMBASSY BELIEVES IMPACT OF REDUCTIONS ON HONDURAN ECONOMY CRITICAL, AND IS FAR FROM "EQUITABLE." EMBASSY LIKEWISE BELIEVES QUANTITY OF REDUCTION (4000-5000 BARRELS PER DAY THROUGHPUT) IS SMALL AND LIKELY CONFIDENTIAL

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PAGE 03 TEGUCI 04521 041844Z

TO CREATE FAR MORE IMMEDIATE AND FUTURE PROBLEMS FOR USG AND U.S. PRIVATE INVESTMENT THAN JUSTIFIED BY VOLUME OF SAVING.
SANCHEZ

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